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Paris for Embassy, USRO, CINCEUR Thureton & West

Although as previously reported, morale in West Berlin is under present circumstances relatively high, looking toward months ahead we evaluate strengths and vulnerabilities of West Berlin morale as follows:

1. Factors contributing to sturdy attitude (in order of importance)

(a) Basic confidence that United States, partly for reasons of self-interest, will defend West Berlin's freedom;

(b) Strong leadership, particularly in person of Mayor Brandt;

(c) Berliners' firm attachment to freedom, treasured the more because of intimate knowledge of conditions in neighboring Communist areas;

(d) Fourteen years' tradition successful defiance of Communist threats and pressures;

(e) High current levels employment and income.

2. Morale vulnerabilities:

(a) Of most importance, misgivings that Allied position in Berlin, now at what Berliners consider irreducible minimum, may be undermined by concessions, even on technicalities, which could mean difference between holding city and eventually losing it;

(b) Growing conviction that German reunification has been postponed indefinitely, limiting Berlin's future prospects; and at same time impression that East German regime making gains in direction recognition, which would result in new and increased pressures on Allied position and on economic integrity West Berlin;

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(c) Concern over possible economic crisis growing out of intensified tension leading to decline orders and investment;

(d) Linked to (c) above, sensitivity to moves, and even rumored moves, of firms and personalities out of Berlin. (Should some major firms, or large number smaller ones, and/or prominent personalities depart, sizable business exodus could follow in wake. Majority of population, however, would remain Berlin.) It should be noted that at present Senat restricts transfer out of Berlin of physical assets.

3. Reaction of Berlin populace to any given situation will be profoundly influenced by interpretation given it by Berlin's leaders and by quality of leadership they provide.

4. Strongest elements of population:

- (a) Top leaders (political, business, trade union);
- (b) Workers.

5. Elements most vulnerable to morale deterioration are within following segments of population:

- (a) Smaller businessmen, professionals and intellectuals;
- (b) Youth, particularly in university and socialist youth organizations;
- (c) New arrivals (since blockade), i.e. refugees from East, and West Germans who have moved to Berlin.

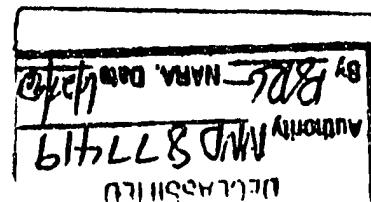
6. In event of morale deterioration and West, primarily United States, unable take successful countering measures, effect could take following forms:

(a) Significant flight of liquid capital out of savings accounts and time deposits, requiring banks to resort to central bank on large scale and possibly resulting in some curtailment of credit;

(b) Physical departure for West - actually difficult for most because of problem transfer tangible assets, professional practices or employment, and finding housing. (Among young people, who less subject these hindrances, considerable number have in past left and continue leave Berlin for better jobs and career opportunities elsewhere.)

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(c) Economic Accommodation. Acceptance East German economic overtures, which will be intensified in deteriorating situation;

(d) Political accommodation, which in extreme form might result in secret or open collaboration with Communists, but more generally might take form avoiding identification with Allies and Western position.

CHIEF

AUTH: F DUBBS, JR. *FD*

Rhynfer

Cleared in draft with Mr. Gaffey
Cleared in draft with ECOW: Mr. Doherty

CH: 1727

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Dissemination/03 5/25/79

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